



Iowa Department of Human Services

Kim Reynolds
Governor

Adam Gregg
Lt. Governor

Jerry R. Foxhoven
Director

INFORMATIONAL LETTER NO.1879-MC-FFS-D

DATE: January 23, 2018

TO: All Iowa Medicaid Providers and Qualified Health Plans (QHP)

APPLIES TO: Managed Care (MC), Fee-for-Service (FFS), Dental

FROM: Iowa Department of Human Services (DHS), Iowa Medicaid Enterprise (IME)

RE: Extrapolation of Findings from Program Integrity Reviews

EFFECTIVE: February 23, 2018

Effective February 23, 2018, the IME Program Integrity Unit will begin extrapolating the results of program integrity reviews. This means that the total amount of overpayment for the review will be based on the entire claim universe for the provider, rather than just the actual claims reviewed.

When the Program Integrity Unit initiates a review of a provider, a statistically valid random sample will be selected from the universe of records to be reviewed. The sample size will be selected using accepted sample size estimation methods. The confidence level of the sample size calculation will not be less than 95 percent.

Following review of the records, the average overpayment per claim will be computed. The lower and upper bounds of a 95 percent confidence interval around the average overpayment will also be computed. This range is then scaled up by the population size to come up with the "upper limit" and the "lower limit" amount for the entire claim universe. This gives the IME 95 percent confidence that the provider's true overpayment is somewhere between the lower limit and the upper limit. The IME will typically assess the overpayment at the lower limit, because this is a conservative method that works to the financial advantage of the provider. If the lower limit for the total overpayment extends below zero dollars the IME will not extrapolate the overpayments to the population. Instead, the provider will be responsible for only the overpayments identified in the sample that was reviewed.

This applies to reviews conducted by the IME Program Integrity Unit, whether those reviews include only FFS claims or managed care claims. Iowa's Managed Care Organizations (MCOs) may apply their own extrapolation procedures for audits or reviews that they conduct.

The attached Frequently Asked Questions (FAQ) document will provide answers to some of the more common questions about this practice.

If you have any questions, please contact the IME Provider Services Unit at 1-800-338-7909, or email at IMEProviderServices@dhs.state.ia.us.